

STATEMENT FOR THE RECORD
PRESENTED BY
RICHARD B. FULLER
NATIONAL LEGISLATIVE DIRECTOR
PARALYZED VETERANS OF AMERICA
REGARDING
VA NON-PROFIT RESEARCH CORPORATIONS
BEFORE THE
SUBCOMMITTEE ON HEALTH AND
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
OF THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
MAY 16, 2002

Mr. Chairman, on behalf of the members of Paralyzed Veterans of America (PVA) I would like to present our views on the status and effectiveness of the VA's Non-Profit Research and Education Corporations. Established by law in 1988, these entities have proven extremely effective in advancing the state of

health care research, attracting hundreds of millions of private and non-VA public sector dollars to support the VA research enterprise, and improving the state of veterans health care through the provision of resources to support additional patient care activities, personnel, and medical equipment.

In 2001, non-profit corporations at 84 VA medical centers reported previous year revenues of nearly \$174 million. These are revenues that never would have been available to VA without the mechanism the corporations afford as conduit, but also as administrators of these funds. Legislation authorizing the corporations was first sponsored by then Chairman of the House Committee on Veterans' Affairs G.V. (Sonny) Montgomery to help solve a serious problem. A private entity, such as a pharmaceutical company, wishing to have access to VA researchers to provide grants to sponsor research in the unique atmosphere of VA medicine had very limited ways to achieve that goal. First, it could channel the grant through the books of the VA-affiliated teaching hospital, which, for its effort, would take its share of the indirect cost directly off the top for managing the grant. Second, it could provide the grant money through the cumbersome vehicle of the VA medical center's "Post Fund" which is totally ill equipped to handle potential sums of this magnitude designated for this purpose. In both cases, VA had little oversight into the direct operation and management of these funds. The corporations serve as a magnate for research dollars, but also, as established by law, an administrating entity for those grants with multiple layers of accountability to ensure those dollars are spent appropriately.

As non-profit entities the corporations are subject to numerous reporting criteria at the state level and with the Internal Revenue Service. Corporations with incomes in excess of \$300,000 per year are subject to annual audits, those under \$300,000, audits every three years. Each medical center director, chief-of-staff and assistant chief-of-staff for research serve on the boards of directors of the corporations at their facilities. A corporation's statutory affiliation with the VA affords an even greater level of scrutiny from the VA and the Federal Government. The corporations are required to submit their annual reports to VA and subsequently to the Congress. They are subject to Inspector General oversight and General Counsel's office review going all the way up the chain of command to the Secretary of Veterans Affairs.

PVA has a long affiliation with the health care research enterprise in the United States. In the past 25 years, our Spinal Cord Research Foundation has awarded more than \$30 million for basic science, clinical and technological research of spinal cord injury and disease. Since 1986, our Education and Training Foundation has awarded more than \$4 million in grants to expand health care professionals' knowledge and experience in care for veterans and all Americans who have incurred these injuries and diseases and to advance consumer education. PVA's foundations have maintained a close relationship with VA researchers and with VA research and education programs. VA is a recognized national leader in these fields of inquiry. We clearly understand how partnerships, both within the VA and external to the VA, can work closely together to maximize

research potential. One example is the PVA, EPVA Center for Neuroscience and Regeneration Research. The center was constructed and is supported with funding from PVA and Eastern Paralyzed Veterans Association (EPVA) on the grounds of the West Haven VA Medical Center. Its staff and activities are led by Stephen Waxman, M.D., Ph.D., Chief of Neurology at the Yale Medical School, and Chief of Neurology at West Haven VA. In similar fashion, our Spinal Cord Research Foundation has made grants to other investigators at other VA facilities using the on-site VA non-profit research corporations to administer those funds. We have found the non-profit corporations to be an effective and efficient means to direct funds to VA investigators, ensuring the proper utilization of those funds to the maximum research benefit. At this time of limited VA research appropriations, the non-profit corporations provide an excellent avenue for VA to leverage its resource opportunities with other private and public research interests to enhance the care of veterans and improve medical science for all Americans.

This concludes my statement. I would be happy to respond in writing to any questions the Subcommittees might have.